



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

DATE: April 1, 2003
CONTACT: Heather Murphy (602) 542-0844

EDUCATING INVESTORS FOCUS OF APRIL SAVINGS & INVESTMENT MONTH CAMPAIGN

PHOENIX – Joining state securities regulators from Hawaii to Maine, the Arizona Corporation Commission is kicking off an investor education campaign in the month of April. The campaign is aimed at raising financial IQs and helping residents recognize and avoid securities fraud.

“Informed, educated investors are the best defense against securities fraud,” Governor Janet Napolitano said in support of the April Arizona Savings & Investment Month campaign. During her tenure as Attorney General, Governor Napolitano worked with the Commission’s Securities Division to hold senior executives at the Baptist Foundation of Arizona responsible for their actions. She also worked with the Commission to broker a \$217 million settlement with the Arthur Andersen accounting firm for its role in the collapse of the Baptist Foundation of Arizona.

“More than 11,000 individual investors lost money in the Baptist Foundation case,” Commission Chairman Marc Spitzer said. “We are happy to report that investors have received the proceeds of the Arthur Andersen settlement and our settlement with Jennings, Strouss & Salmon. All told, investors have received nearly 70 percent or more of their initial investment in restitution.”

The Baptist Foundation case is believed to represent the largest non-profit and religious bankruptcy in U.S. history. At the time of the bankruptcy filing, the Foundation owed more than 11,000 mostly elderly investors close to \$590 million.

The church organization allegedly operated a Ponzi-style investment scheme. In such a scheme, money from new investors is used to pay “profits” or “interest” to existing investors. The scams, named for Charles

Ponzi, a legendary huckster who duped thousands of New England investors in the 1920s, eventually collapse when it becomes impossible to find enough new investors to meet the obligations to the original investors.

“It is highly unusual to see any recovery of investor money in a Ponzi scheme, let alone 70 percent or more,” Commissioner Jim Irvin explained.

“We don’t want to see another Baptist Foundation case. Educating investors goes hand-in-hand with our aggressive enforcement against securities fraud. Education aims to prevent people from becoming victimized in the first place, which is a goal we all share,” said Commissioner Bill Mundell.

Commissioner Jeff Hatch-Miller cited uncertainty in the stock market and anxiety over the war in Iraq as two reasons investors may be looking more closely at their investments.

“With people looking for somewhere 'safe' to put their money, they may still expect the kind of double-digit returns they saw over the last decade in the stock market,” Hatch-Miller warned. “Con artists know this, so they promise high returns with low risk.”

The high returns/low risk equation is a myth, says Commissioner Mike Gleason.

“Risk and return almost always go together. Low risk means a comparatively low return,” Gleason explains. “While high risk investments – say commodities investing such as investments in oil, gas and gold – can produce high returns, but not without assuming a high degree of risk.”

While volumes of investment expertise are now available at the click of a mouse, state securities regulators remain investors' first line of defense against fraud. The Commission’s Securities Division investigates complaints, brings enforcement actions, registers brokers and educates investors at the grass-roots level. Mining fraud, stock pump-and-dump schemes, risky payphone and ATM investments and bogus promissory notes are among the problematic investments reported by Arizona regulators.

Throughout April, the Commission will be conducting public presentations, appearing at county fairs and beefing up its website to offer additional educational materials to investors of all experience levels. Over the past 12 months, the Securities Division added more than 50 investor education brochures and flyers to its website, www.ccsd.cc.state.az.us. As new resources become available, the site will be updated to ensure access to

current, timely investor education materials.

The North American Securities Administrators Association is coordinating national investor education media events during the month of April. This organization represents securities regulators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico.

To learn more about safe investing, click on www.ccsd.cc.state.az.us or call 602-542-4242. From outside the Phoenix metro area, call toll free at 1-877-811-3878.

###